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SENSITIVE
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PM/DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A
TAGS: [ETTC](#) [KOMC](#) [IS](#)
SUBJECT: RESPONSE TO BLUE LANTERN LEVEL 1 PRE-LICENSE
END-USE CHECK, GENERAL CORRESPONDENCE GC1964-09

REF: STATE 102524

¶1. (SBU) Summary: According to owner Zev Kaptowsky, Contact International is an GOI-authorized dealer registered with the Israel Ministry of Defense and Israel National Police (INP). Kaptowsky notes that Contact International answered an INP tender for 2,500 M-1 carbines with the provision that the carbines be re-sold and exported overseas within 100 days of the tender's award. Kaptowsky claims he contacted Century Arms, Inc, and the two companies reached an agreement for the carbines. According to Kaptowsky, however, Century Arms insists on paying the INP directly, despite the fact that INP's tender is with Contact International. Kaptowsky was reluctant to provide any correspondence with Century Arms, and argues that a brokering license is not required for the transaction to Century Arms because he purchased the carbines directly from the INP. Emboffs have been unable to verify Kaptowsky's account with the INP, despite repeated attempts. An INP letter passed on by Kaptowsky claims that the INP had the carbines in its possession for the last 30 years, and that the carbines were not obtained through a U.S. military assistance or sales program. End summary.

¶2. (SBU) Per reftel, senior FSC commercial specialist met with Contact International (Kalia) owner Zev Kaptowsky on October 28. Kaptowsky said Contact International was established in 1979; the company's current owners are Kaptowsky (99 percent) and his spouse Naama (one percent). Kaptowsky said the company maintains offices in a 400 square meter warehouse in the Mishor Adumim Industrial Park. He explained that he is a dual U.S.-Israeli citizen born in Los Angeles; he moved to Israel in the early 1970's.

¶3. (SBU) Kaptowsky said Contact International's main business activity involves buying surplus goods from the Israel MOD/IDF and the Israel National Police (INP), and the re-selling them overseas. According to Kaptowsky, 80-90 percent of the surplus goods he buys are exported to the U.S. and EU commercial markets -- mainly to surplus stores. Approximately 10 percent of the goods are sold in Israel. Kaptowsky said Contact International is an authorized dealer registered with the MOD and INP -- as such, Contact receives notifications for each surplus goods tender issued by the MOD and INP.

¶4. (SBU) According to Kaptowsky, this is the second transaction between Contact and Century Arms involving M-1 carbines tendered out by the INP. He explained that the first deal took place in 2007; at that time, the State Department questioned Century Arms regarding the purchase but ultimately issued the import license. Kaptowsky said this transaction involves 2,500 carbines -- not 6,000 as reported reftel.

15. (SBU) Kaptowsky said the INP tender requires the carbines to be re-sold and exported to a legitimate party outside of Israel within 100 days from the date of the tender award. Kaptowsky said Contact International approached Century Arms to inquire whether the U.S. company is interested in the carbines. According to Kaptowsky, Century Arms confirmed its interest and the two companies reached a sales agreement. Kaptowsky was reluctant to present any correspondence between his company and Century Arms; he noted that his Century Arms points of contact are Brian and Michael Sucher.

16. (SBU) According to Kaptowsky, Century Arms insists on transferring the total amount payable directly to an INP bank account -- rather than paying Contact International and leaving it to the Israeli company to transfer funds to the INP. Kaptowsky said that according to the agreement between Contact International and Century Arms, the U.S. company will transfer the entire amount of the purchase to the INP, and transfer the "balance of payment" due to Contact International directly to the company. As such, INP only has a contract with Contact International, Kaptowsky explained.

17. (SBU) Kaptowsky said the MOD's Directorate for Defense Exports will not grant an export license to Contact International unless Contact can produce a valid import license issued to Century Arms. He said that the INP has not provided Contact International with re-transfer or re-export authority for the carbines to the United States. As documentation in support of the export license, Kaptowsky provided a copy of the original INP tender (in Hebrew), an INP declaration (in English) regarding the sale of the carbines to Contact International, and a copy of Contact

International's export marketing license issued by the MOD's Directorate for Defense Exports.

18. (SBU) Kaptowsky was well-versed in brokering regulations, and said he had discussed the nature of the transaction and the need for a broker's license with his legal advisor. According to Kaptowsky's lawyer, Contact International does not require a broker's license to sell the carbines to Century Arms for the following reasons:

- Contact International was awarded the INP tender that was issued to local companies only.

- The tender requires that the carbines be exported within 100 days from the date of the award.

- This requirement made it necessary for Contact International to locate a foreign buyer prior to the tender bid.

- Although Century Arms insists on paying the INP directly, the agreement of resale was between Contact and Century Arms. At no time did Century Arms have any business dealings with the INP.

19. (SBU) According to the copy of the original INP police tender, the INP issued closed tender 64/2009 to licensed arms dealers on June 4, 2009. The tender's listed bid deadline is July 28, 2009. Per para 17.b.1-3, the tender stipulates that:

- The carbines may not be resold in Israel;

- The carbines may only be sold to Ministry of Interior-licensed Israeli arms dealers holding an MOD permit to export defense articles;

- The carbines will remain in an INP warehouse. Upon receipt of a valid export license issued by the MOD's Directorate for Export Controls, the carbines will be released directly to the port under police supervision; and

- Payment will be transferred within ten days of the award. Within 20 days of the award, the awarded party will submit the list of terms to the Directorate for Export Controls.

The winner will have up to 100 days from the date of the award to obtain the export license from the Directorate for Export Controls, and to arrange for transportation of the carbines directly from the port.

¶10. (SBU) Emboffs attempted to contact the INP repeatedly for four weeks to verify Kaptowsky's account. INP representatives finally contacted the FCS senior commercial specialist on December 3, and requested any inquiry into the transaction with Contact International be made in writing in Hebrew on embassy letterhead. It is not clear how long this process will take; emboffs have not yet sent to the INP the written inquiry request. According to the INP letter provided by Kaptowsky, the INP confirmed the sale of 2,500 M-1 carbines including one 15 round magazine each to Contact International. Additionally:

-- The carbines were purchased by the INP for its own needs;

-- The carbines were not received as a grant and were not transferred by the United States to the INP or GOI as part of an American military assistance program, and were not sold by the United States to the INP or GOI as part of a military sales program; and

-- The carbines have been in the sole possession of the INP for the last 30 years.

CUNNINGHAM